

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1139 - SB 1186

March 14, 2021

SUMMARY OF BILL: Authorizes rural electric cooperatives (Cooperatives) to provide broadband and similar service outside of their service area in certain circumstances.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – Due to multiple unknown factors, a precise increase in state revenue from payment of F&E taxes by Cooperatives providing broadband and similar services cannot reasonably be determined.

Assumptions:

- The proposed language establishes that Cooperatives could provide broadband and similar services outside of their service area but within another Cooperative's service area if:
 - The new service area is concurrent or adjacent to their current service area;
 - The concurrent or adjacent Cooperative does not provide broadband or similar services; and
 - The concurrent or adjacent Cooperative provides consent in the form of a written agreement.
- Pursuant to Tenn. Code Ann. § 65-25-102, Cooperatives are not local government entities, but nonprofit entities.
- Tennessee Code Annotated § 67-4-2007(a) and § 67-4-2105(a), nonprofit businesses are not responsible for paying franchise and excise (F&E) taxes, except for earning and net worth which is garnered outside of the original scope of business for which nonprofit status was originally granted.
- It is assumed that any Cooperatives opting to provide broadband or similar services will be responsible for paying F&E taxes; however, due to multiple unknown variables such as how many Cooperatives have opted to provide such service, the extent of their earnings and net worth earned from such service, any increase in such earning due to the ability to expand the service area where such service is provided; a precise increase in state revenue cannot reasonably be determined.

IMPACT TO COMMERCE:

Other Fiscal Impact – Due to multiple unknown factors, a precise impact to business revenue and jobs in Tennessee cannot reasonably be determined.

Assumptions:

- Authorizing Cooperatives to provide broadband and similar services outside of their service area will result in a change to business revenues for private companies currently provided such services; however, it is unknown how many Cooperatives will opt to expand their service area, when such services will be available to customers, the extent of customers with a new option in service providers, and the extent of any impact to rates charged by private businesses for such service as a direct result of the competition provided by such entities.
- Due to multiple unknown factors, a precise impact to business revenue and jobs in Tennessee cannot reasonably be determined.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Bojan Savic". The signature is written in a cursive, flowing style.

Bojan Savic, Interim Executive Director

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